GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:5375
ANSWERED ON:29.04.2005
FDI IN INSURANCE SECTOR
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Will the Minister of FINANCE be pleased to state:

(a) whether the Government propose to increase the Foreign Direct Investment cap in the insurance sector and also work out a policy to permit foreign investment in retail trade as reported in the Hindu dated April 6, 2005;

(b) if so, the details in this regard;

(c) whether cash-and-carry is allowed in retail sector as per the policy worked out by the Government;

(d) if so, the details thereof;

(e) whether a leading German retail chains named Metro has requested for expanding their business in the country; and

(f) if so, the details thereof?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM):

(a) and (b) The Insurance Companies periodically require additional capital for growth of business. Indian Promoters, at times, due to financial constraints are not in 3 position to contribute additional capital proportionate to their shareholdings. Therefore, in the Budget Speech of 2004-05, an announcement was made for the increase in the Foreign Direct Investment (FDI) from 26% to 49%. However, no legislative proposal has been finalized so far. At present there is no proposal before the Government (or decision on allowing FDI in retail trade sector.

(c) and (d) FDI is not allowed for retail trading. However, FDI upto 100% is permitted in cash-and-carry wholesale trading with prior approval of the Government.

(e) and (f) Foreign Investment Promotion Board (FIPB) has not received any request from M/s. Metro, Germany for expanding their business in the country.